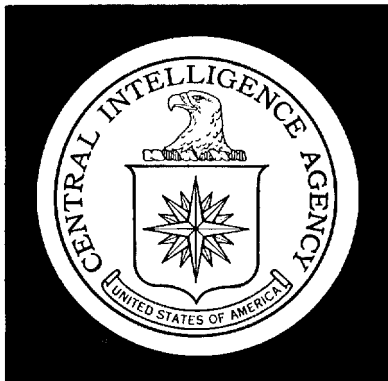


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South Vietnam: Fighting continues throughout much of South Vietnam.

Thus far, the bulk of the enemy-initiated action has been confined to I and II corps, but several sharp battles between Communist and allied forces have erupted elsewhere. There have been numerous rocket and mortar bombardments and several ground attacks against selected allied military targets, including air bases and artillery positions. The Communists also have struck hard at South Vietnamese territorial security forces, Revolutionary Development teams, and population centers, including refugee camps.

The latest actions probably foreshadow the kind of tactics that the Communists will emphasize in the near future. The enemy has relied on small groups of sappers or commandos to carry out some of the heaviest assaults in recent days, inflicting significant casualties on allied forces. Enemy harassing fire has been most effective against remote outposts and towns. There have been reports of heavier action planned for later in the campaign, possibly including the commitment of more main force units.



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Cambodia: Sihanouk's abrupt departure for France this week should temporarily reduce political friction in Phnom Penh.

The Cambodian chief of state is expected to be gone for two or three months on one of his infrequent medical retreats. Sihanouk may also intend to go to Moscow, Peking, and other areas before returning home.

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Prime Minister Lon Nol's post-congress acceptance of the resignations of four pro-Sihanouk cabinet members probably added to Sihanouk's political battle fatigue. His absence should give the government a better opportunity to manage its own affairs, free from his obstructive interference. The government, however, is unlikely to take any strikingly new initiatives in his absence.

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Communist China: Peking appears to be embarked on yet another campaign to quicken the tempo of the local party building process.

The formation of a new party committee in a Peking printing plant two weeks ago, for example, continues to receive wide publicity in Peking media. The plant's committee is being touted as a national model for emulation, and the heavy propaganda is almost certainly intended to give an impetus to the party building efforts that have bogged down in the provinces. The publicity given to a number of party committees organized recently in Hunan Province also is designed for this same purpose.

The attempts to reconstruct China's shattered Communist Party have faltered badly since the ninth party congress last April. An article in the latest issue of the theoretical journal Red Flag provides a good insight into the problems that have hampered the effort so far. It criticizes the belief among certain individuals--obviously Red Guard factionalists--that they should be allowed to join the party either because of "merits" they have won during the Cultural Revolution or because they are now leading members of a revolutionary committee. The Red Flag article also rejected the notion that each Red Guard faction should be represented on the new party committees. Instead, the article stresses the need for lenient treatment of party members "who have committed mistakes"--those criticized during the Cultural Revolution. This is a clear indication that Peking continues to support the program to restore the majority of purged cadres to party membership despite the objections of the more radical group of new cadres.

Peking apparently has decided to push ahead with party building even though these problems persist in most parts of the country. Glossing over differences at local levels will probably facilitate

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an increase in the number of new committees formed in the weeks ahead. This approach, however, can lead to party committees that are pasted together haphazardly. It also risks bringing into the party committees some of the weaknesses of the faction-ridden revolutionary committees.

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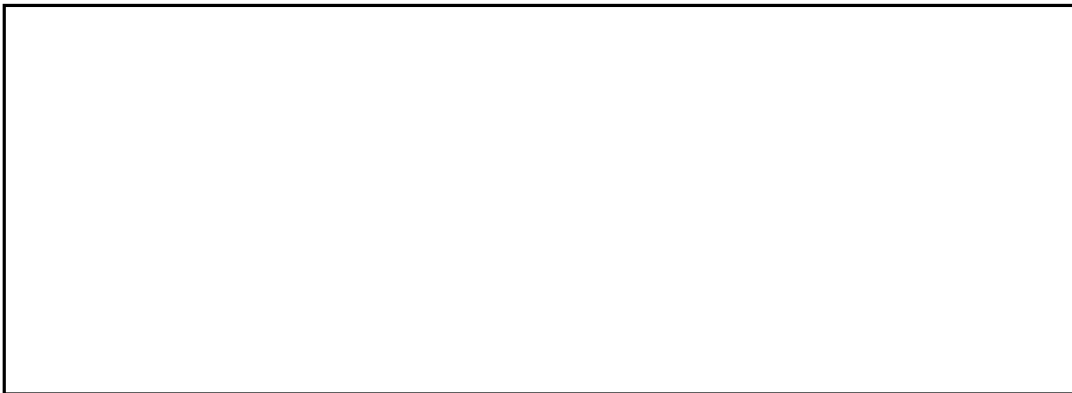
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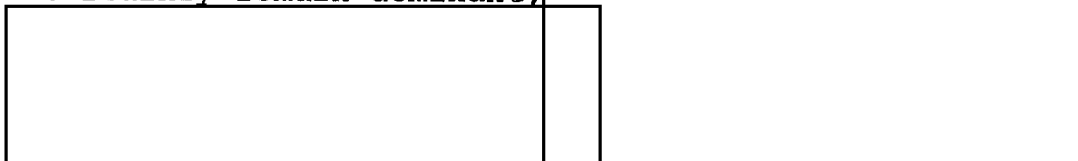
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Nationalist China: Vice Premier Chiang Ching-kuo is continuing to expand his control over government economic affairs despite discontent and opposition from a number of high-ranking officials.



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Since his appointment to economic planning positions last summer, Vice Premier Chiang has been consolidating his influence over the government's entire economic structure. President Chiang Kai-shek appointed him to these posts to add to his son's already established power base in the political, military, and security apparatus and to ensure an orderly succession when the aged President passes from the scene. As a result of this powerful sanction, the vice premier's authority will almost certainly remain dominant,



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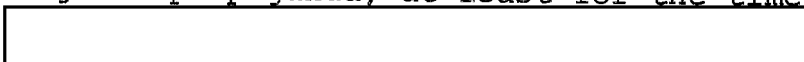
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Cuba-Brazil: Cuban assistance to Brazilian terrorist groups is continuing.



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Castro is still willing to supply aid to revolutionary groups despite his decision, after the death of Che Guevara in 1967, to be more selective in supporting guerrilla movements. Havana's special interest in Brazil was demonstrated by Castro's enthusiastic personal welcome given to 13 prisoners who were exchanged for US Ambassador Elbrick last September. Cuba's current preoccupation with pressing domestic problems, particularly the ten-million-ton sugar harvest for 1970, will probably limit Cuban support of subversive groups largely to training and propaganda, at least for the time being.



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UN-Cyprus: Officers of the UN force in Cyprus (UNFICYP) have drawn up plans to reduce the peace-keeping mission.

Pressure to reduce the financial burden of UNFICYP operations has been building up for some time in the UN. A survey team commissioned by Secretary General Thant made suggestions last month for a fairly sizable reduction in forces and a substantial financial savings. In obtaining a Security Council agreement to extend the UNFICYP mandate until June 1970, Thant stated that he would put the proposals into effect in consultation with the governments concerned and with his representatives on Cyprus.

The UNFICYP officers envision a phased reduction of 500 men from the present level of 3,475. Districts where serious tensions exist between the Greek and Turkish Cypriots will not be affected. The Canadians would be responsible for Nicosia, the most sensitive area on the island. The plan would facilitate the eventual conversion to a UN observer-type operation in the quieter areas.

[REDACTED]
[REDACTED] The Turkish Government almost certainly will oppose the planned reduction on grounds that the safety of Turkish Cypriot enclaves will be jeopardized. The UK may also be concerned that such force reductions would lessen the security of its bases--the primary target of the recently heightened anti-British propaganda in Cyprus.

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Chile: The Frei government has purchased two frigates and two submarines from Great Britain at a cost of about \$72 million. Delivery is expected to begin in 1972. A leading Santiago newspaper broke the story, described by the US Embassy as "apparently authoritative," after an interview with "an unnamed Chilean Navy source." The source justified the purchase because Peru and Argentina are also buying destroyers and submarines. In all three cases the new ships will replace or augment obsolete vessels, many of which were built before 1945.

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Venezuela-Guyana: Venezuela may be preparing a new move in its border dispute with Guyana. Venezuelan ambassadors to Guyana, the UK, the Organization of American States, and the UN are to return to Caracas today to discuss the Guyanese problem. Although efforts over the past four years to solve the problem through a mixed border commission have been fruitless, Venezuela can be expected to exert strong diplomatic pressure on Guyana to agree to continue the talks beyond the commission's scheduled February expiration. The Guyanese, on the other hand, have expressed little interest in extending the commission, apparently convinced they would receive a favorable ruling if the dispute is submitted to international adjudication.

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European Communities - Spain: Negotiations between Spain and the European Communities (EC) on a preferential trading agreement probably will be completed during the first half of 1970, according to the US mission to the EC. Both sides have a strong compulsion to reach agreement, and it is possible that the main differences may be resolved during the next round of talks, scheduled for the latter part of January. The mission warns that such a limited preferential trading agreement violates the principles of GATT.

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Italy: Strong criticism of Italy's criminal code, last fully revised in the Fascist period, has stimulated judicial reform. New legislation which took effect last week includes some basic civil rights guarantees. Certain provisions, for example, protect the accused against self-incrimination, require the police now to permit immediate notification of the relatives of the person arrested, and curtail the imprisonment of suspects prior to arraignment.

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